

## New England Gas Company

July 20, 2006

Mr. George Yiankos  
Director, Gas Division  
Department of Telecommunications and Energy  
One South Station  
Boston, Massachusetts 02110

RE: Revised 2006 Off-Peak Gas Adjustment Factor

Dear Mr. Yiankos:

Enclosed please find an original and three copies of an interim Gas Adjustment Factor ("GAF") filing for the Fall River Service Area of New England Gas Company ("Company"). The Company is requesting the approval of a reduced off-peak GAF of \$0.9209 per ccf for residential and commercial/industrial customers effective August 1, 2006.

The reason for the amended GAF is that natural gas prices have decreased since the time of the Company's original 2006 Off-Peak GAF filing. In its initial filing, variable gas costs were predicated on the March 10, 2006 NYMEX strip. Since that time, especially this past month, gas prices have decreased. The simple average of NYMEX prices for the July through October period has decreased \$1.03 per Dth or approximately 12 percent (Attachment 1).

Based on the July 14, 2006 NYMEX strip, the variable commodity portion of the Company's forecasted gas costs for July through October are \$395,429 less than those costs underlying the current GAF. Spreading this reduced cost over the August through October forecasted volumes of 3,667,365 ccf results in a proposed reduction of \$0.1078 per ccf. Attachment 2, Schedule 6 shows the updated forecast of off-peak commodity costs and with forecasted volumes included on Schedule 4.

A bill impact analysis has been prepared that measures the impact of the proposed interim GAF compared to the Company's approved 2006 off-peak period GAF of \$1.0287 per ccf. Attachment 3 shows that the impact of the proposed interim GAF compared to the Company's approved 2006 Off-Peak GAF will be a decrease of \$2.40 per month or 6.3 percent for a residential heating customer with average monthly consumption of 23 ccfs from August through October.

The Company will continue to closely monitor the gas cost deferred balance as directed in D.T.E. 01-49 and take any appropriate action as required. In the meantime, please do not hesitate to contact me should you have any questions or concerns regarding this filing. I can be reached at 1-401-574-2309 or via email at [peter.czekanski@negasco.com](mailto:peter.czekanski@negasco.com). Thank you for your consideration of this matter.

Sincerely,



Peter C. Czekanski  
Director of Pricing

encl:

cc: Robert Sydney, Esq.  
Joseph Rogers, Esq.  
Elizabeth Jackson

New England Gas Company  
 Fall River Service Area  
 NYMEX Pricing Comparison

	Jul	Aug	Sep	Oct	Jul - Oct Simple Average
<b>NYMEX strip 03/10/06 - May 2006 Filing</b>					
	\$ 7.22	\$ 7.38	\$ 7.50	\$ 7.66	\$ 7.44
<b>NYMEX strip 07/14/06 - August 2006 Interim Filing</b>					
	\$ 5.89	\$ 6.35	\$ 6.53	\$ 6.87	\$ 6.41
<b>07/14/06 Strip Versus Approved</b>	<b>\$ (1.33)</b>	<b>\$ (1.04)</b>	<b>\$ (0.97)</b>	<b>\$ (0.79)</b>	<b>\$ (1.03)</b>
	-23%	-16%	-15%	-12%	-12%

**NEW ENGLAND GAS COMPANY, FALL RIVER SERVICE AREA**  
**2006 Off-Peak Reconciliation**  
**Cost of Firm Allowable Summary**  
**2Months Actual and 4Months Forecast**

Schedule 6

F:\prichan\Fall River CGA\Off-Peak Reconciliation Files\  
Forecast updated on basis of 7/14/06 NYMEX strip

	TOTAL	May-06 Actual	Jun-06 Actual	Jul-06 Forecast	Aug-06 Forecast	Sep-06 Forecast	Oct-06 Forecast
<b>Supplier Variable</b>							
Algonquin	-65,835	-16,682	-49,153				
ConocoPhillips	2,523,818	1,626,314	897,504				
Duke	0	0	0				
TETCO	0	0	0				
<b>sub-total Supply Variable</b>	<b>11,099,117</b>	<b>1,609,632</b>	<b>848,351</b>	<b>748,905</b>	<b>828,045</b>	<b>856,669</b>	<b>1,886,949</b>
<b>Supplier Fixed</b>							
Algonquin	1,404	-2,541	3,945				
ConocoPhillips	879,913	420,916	458,997				
DistriGas	-457	-457	0				
TETCO	-189,757	-100,914	-88,843				
	0				0	0	0
<b>sub-total Supply Fixed (1)</b>	<b>2,480,182</b>	<b>317,004</b>	<b>374,099</b>	<b>447,270</b>	<b>447,270</b>	<b>447,270</b>	<b>447,270</b>
<b>Storage Variable - withdrawals</b>							
Underground	4,014	1,910	2,104				
LNG	196,348	37,590	35,857	30,975	30,975	29,976	30,975
Propane	0	0	0				
<b>Finance Charges</b>	<b>258,113</b>	<b>35,815</b>	<b>36,040</b>	<b>39,531</b>	<b>43,091</b>	<b>50,994</b>	<b>52,642</b>
<b>sub-total Storage Variable</b>	<b>458,476</b>	<b>75,315</b>	<b>74,001</b>	<b>70,506</b>	<b>74,066</b>	<b>80,970</b>	<b>83,617</b>
<b>Storage Fixed</b>							
Algonquin	-14,177	-8,314	-5,863				
ConocoPhillips	147,267	65,511	81,756				
TETCO	108,691	54,483	54,208				
<b>sub-total Storage Fixed</b>	<b>513,200</b>	<b>111,680</b>	<b>130,101</b>	<b>55,183</b>	<b>55,183</b>	<b>55,183</b>	<b>105,869</b>
<b>Add -</b>							
Mkter Over/Under takes	28,220	23,678	4,541	0	0	0	0
<b>Less -</b>							
Non-firm Sales	0	0	0	0	0	0	0
Company Use	2,419	1,590	829	0	0	0	0
Capacity Releases	0	0	0	0	0	0	0
<b>TOTAL GAS COSTS</b>	<b>10,256,208</b>	<b>2,135,720</b>	<b>1,430,264</b>	<b>1,321,864</b>	<b>1,404,564</b>	<b>1,440,092</b>	<b>2,523,705</b>
<b>Variable</b>	<b>7,262,827</b>	<b>1,707,036</b>	<b>926,064</b>	<b>819,411</b>	<b>902,111</b>	<b>937,639</b>	<b>1,970,566</b>
<b>Fixed</b>	<b>2,993,382</b>	<b>428,684</b>	<b>504,200</b>	<b>502,453</b>	<b>502,453</b>	<b>502,453</b>	<b>553,139</b>
<b>Adjustments (2)</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GAS EXPENSES</b>	<b>10,256,209</b>	<b>2,135,720</b>	<b>1,430,265</b>	<b>1,321,864</b>	<b>1,404,564</b>	<b>1,440,092</b>	<b>2,523,705</b>
<b>TOTAL 175.3 OFF-PEAK DEMAND COST</b>	<b>620,045</b>	<b>79,251</b>	<b>93,525</b>	<b>111,817</b>	<b>111,817</b>	<b>111,817</b>	<b>111,817</b>
<b>TOTAL 175.1 PEAK DEMAND COST</b>	<b>2,373,336</b>	<b>349,433</b>	<b>410,675</b>	<b>390,636</b>	<b>390,636</b>	<b>390,636</b>	<b>441,321</b>
<b>TOTAL 175.4 OFF-PEAK COMMODITY COST</b>	<b>7,262,827</b>	<b>1,707,036</b>	<b>926,064</b>	<b>819,411</b>	<b>902,111</b>	<b>937,639</b>	<b>1,970,566</b>
<b>TOTAL 175.2 PEAK COMMODITY COST</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

(1) Includes Asset Management Benefit and capacity releases

(2) Adjustments are due to true-ups from prior month's estimates